



21632-P001US

PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:
Maudlin.

Serial No.: 09/450,308

Filed: November 29, 1999

Title: MAUDLIN-VICKERY AUCTION
METHOD AND SYSTEM FOR
MAXIMIZING SELLER REVENUE AND
PROFIT

§ Before the Examiner:
§ Eaton, Kimberly B.
§
§ Group Art Unit: 3621
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§

**DECLARATION OF STUART C. MAUDLIN
UNDER 37 C.F.R. §1.131**

1. My name is Stuart C. Maudlin. I am the inventor of the application filed November 29, 1999 entitled "Maudlin-Vickery Auction Method and System for Maximizing Seller Revenue and Profit" under Serial Number 09/450,308 (the "Application"). I am more than twenty one (21) years of age and fully competent to make this declaration.

2. I began conceiving the invention disclosed in the instant Application on November 28, 1998 in preparation for a presentation I made to the Federal Energy Regulatory Commission (the "Commission") on December 1, 1998. The presentation was arranged for by Ms. Andrea Wolfman, as indicated by her undated fax memorandum, received by me on November 13, 1998. Ms. Wolfman's memo is attached hereto as Exhibit "A".

3. I presented a portion of my ideas on December 1, 1998. My informal comments to the Commission and my notes from that meeting on December 1, 1998 are attached hereto as Exhibit "B". My presentation included the concept of the "at market" bids disclosed in the Application. My handwritten note at the top of the page credits meeting attendee Mr. Dick O'Neill as having said of my idea that it was a "novel solution—definitely need to look at".

21632-P001US.

PATENT

4. I completed conception of the remainder of the invention on the plane returning from the December 1, 1998 meeting. Specifically, I developed the idea of the use of profit-based calculations (taking cost into account) on the flight.

5. All statements made in this declaration made of my own knowledge are true and all statements made on information and belief are believed to be true.

6. I acknowledge that willful false statements and the like are punishable by fine or imprisonment or both (18 U.S.C. § 1001) and may jeopardize the validity of the application or any patent issuing thereon.

Dated this the 30th day of October, 2002.



STUART C. MAUDLIN

21632-P001US



PATENT

EXHIBIT "A"

NOV.13.1998 1:18PM

PIPELINES RATES

NO.406

F.1/1



**FEDERAL ENERGY REGULATORY COMMISSION
OFFICE OF THE GENERAL COUNSEL
PIPELINE RATES SECTION**

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3M4A+B

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From: Andrea Wolfman

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This Fax has 1 page(s) (including the cover sheet). Please call the sender at the phone number above if you did not receive the Fax in its entirety.

Confidentiality Note

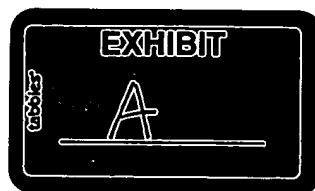
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NOTES:

I think Ed Murrell has already discussed with you an informal discussion session that I am trying to arrange with third party providers. We are arranging similar discussion sessions, on the same five topics, with different industry groups in attendance at each session. The purpose of the meeting is to have an informal discussion on the following topics: (1) practical considerations in gas supply and transportation nomination, scheduling, and time lines; (2) practical considerations of pre-arranged transportation and release deals; (3) definition of available pipeline capacity; (4) potential impacts of auction concepts on financial risk management instruments; and (5) pricing and revenue concerns related to the auction concept in the Short-term Natural Gas Transportation NOPR. The context for these discussions will be the NOPR, but the discussions are not intended to be limited by the proposals in the NOPR. Much of the discussion will be focussed on understanding current operations and practices.

The session will be attended by key technical and legal staff of the Commission and Commissioners' assistants.

The meeting will be December 1 at 9:00am and may last for up to three hours. I will try to talk to you about it on Monday.



21632-P001US

PATENT

EXHIBIT "B"

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21632-P001US 10/29/2002

Alice Fernandez

Informal comments by Stuart Maudlin
President, SABRE Energy Network
To the Federal Energy Regulatory Commission
December 1, 1998
Concerning RM98-10

O'Neill
"Novel solution -
definitely need to look @"
Alice - "interesting idea"

SABRE Energy Network was co-founded in 1997 by The SABRE Group (NYSE: TSG), a technology subsidiary that is 80% owned by American Airlines, and Columbia Energy Group (NYSE: CG), a natural gas transmission, distribution and marketing company. SABRE Energy's mission is to provide transaction processing services to the energy industry—to do for energy transaction processing what The SABRE Group has done for airline reservation processing. SABRE Energy is developing a national Interactive Web Site, EDI designated sites and interfaces to meet energy industry needs, GISB standards and FERC requirements.

In our role as a Third-Party Service Provider, SABRE Energy takes no position, for or against, RM98-10. Neither do we speak for Columbia Energy or The SABRE Group. However, should the Commission adopt this Rule, we offer our comments to help make the Rule function efficiently and effectively.

To that end, we support TransCapacity's "Friendly Fifteen" except for Item 8, "Shippers should be billed what they bid."

We offer the following auction methodology to meet the Commission's stated desires to have markets determine prices and to mitigate pipeline's market power and to meet the pipeline's concerns that they will be taken advantage of.

We recommend a Uniform Second-Price Auction (called a Vickery auction in academia and a Dutch auction in the financial community) with a market-based reserve price for both short-term and daily capacity auctions. {See www.agorics.com/new.html for an excellent discussion on various auction methods.}

1. All capacity will be sold at the lowest winning bidder price until a) all available capacity is sold, or b) the next lower bid, if awarded, would lower the total value of capacity sold.
2. Bidders may submit "at market" bids.

~~NYMEX~~ - does not opt #1 splitting pts & paths
- ~~NYMEX~~ wants mkt to pick auction method

- Multiday new venture

